

**CITY OF HOHENWALD, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2015

# CITY OF HOHENWALD, TENNESSEE

## Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Officials of the City of Hohenwald, Tennessee . . . . .	I
FINANCIAL SECTION:	
Independent Auditor's Report . . . . .	1-2
Management's Discussion and Analysis . . . . .	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position . . . . .	11
Statement of Activities . . . . .	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds . . . . .	14
Reconciliation of Balance Sheet to Statement of Net Position of Governmental Activities . .	15
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Fund . .	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance Of Governmental Funds to the Statement of Activities . . . . .	17
Statement of Net Position - Proprietary Funds . . . . .	18
Statement of Revenues, Expenses and Changes in Fund Net Position- Proprietary Funds . . . . .	19
Statement of Cash Flows - Proprietary Funds . . . . .	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) And Actual	
General Fund . . . . .	21-24
State Street Aid Fund . . . . .	25
Drug Fund . . . . .	26
Notes to Financial Statements . . . . .	27-46

## CITY OF HOHENWALD, TENNESSEE

### Table of Contents, Continued

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability (Asset) . . . . .	48
Schedule of Contributions to the Employee Pension Plan . . . . .	49
Supplemental Information	
Schedule of Changes in Capital Assets by Type . . . . .	51
Schedule of Capital Assets by Function and Activity . . . . .	52
Schedule of Cash and Cash Equivalents and Certificate of Deposit - All Funds . .	53
Schedule of Changes in Property Taxes Receivable . . . . .	54
Schedule of Debt Service Requirements - General Obligation Debt . . . . .	55
Schedule of Debt Service Requirements - Water and Sewer Fund . . . . .	56
Schedule of Insurance . . . . .	57
Schedule of Bond Coverage on Principal Officials . . . . .	58
Schedule of Utility Rates in Force . . . . .	59
Schedule of State and Federal Financial Assistance . . . . .	60
Schedule of Unaccounted for Water . . . . .	61-62
COMPLIANCE AND INTERNAL CONTROL:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> . . . . .	64-65
Schedule of Disposition of Prior Year Comments . . . . .	66

# INTRODUCTORY SECTION

# **CITY OF HOHENWALD, TENNESSEE**

Officials of the City of Hohenwald, Tennessee

June 30, 2015

Name

Title

Elected Officials:

Danny McKnight

Mayor and City Manager

Don Barber

Vice Mayor

Rusty Isbell

Council Member

T.J. Hinson

Council Member

Janet Turner

Council Member

Management:

Kyle Hamm

City Recorder

# FINANCIAL SECTION

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

---

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**Independent Auditor's Report**

Mayor and Members of the City Council  
City of Hohenwald, Tennessee  
Hohenwald, Tennessee

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Hohenwald, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, and each major fund of the City of Hohenwald, Tennessee as of June 30, 2015, and the respective changes in financial position and, where applicable, the cash flows thereof and the respective budgetary comparison for the General Fund, State Street Aid Fund, and Drug Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters -Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the Management's Discussion and Analysis and the Schedule of Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Other Matters -Other Information**

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section and the Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information (except for the Schedule of Unaccounted for Water) have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Introductory Section and the Supplementary Information (except for the Schedule of Unaccounted for Water), is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Unaccounted for Water has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2015 on the consideration of the City of Hohenwald's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

John R. Poole, CPA

October 31, 2015



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## **CITY OF HOHENWALD, TENNESSEE**

### **Management's Discussion and Analysis**

As management of the City of Hohenwald, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

#### **Financial Highlights:**

The assets of the City of Hohenwald exceeded its liabilities at the close of the most recent fiscal year by \$15,159,985. Of this amount, \$2,547,104 (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total Net Position increased by \$438,447, primarily due to decreases in expenses in the governmental and utility funds. Expenses were \$324,649 lower than in the prior year primarily due to lower natural gas purchases and decreased maintenance and repair costs. The Business-type funds Net Position decreased by \$261,167; while the governmental funds increased by \$699,614. During the year, the City made purchases of capital assets of \$187,102 (primarily capital equipment additions).

As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$1,283,520 an increase of \$576,042 in comparison to the prior year. The City saw a decrease in general revenues and a corresponding decrease in expenditures.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$565,572 or approximately 19% of the total general fund expenditures.

The City's total debt decreased by \$680,292 as all debts are being paid as scheduled.

#### **Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the City of Hohenwald's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Hohenwald include general government, personnel, finance, parks, planning, police, fire, disposal service, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Hohenwald, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds.

The City of Hohenwald adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic financial statements can be found on pages 14-20 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-46 of this report.

## Financial Analysis of the Financial Statements --Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hohenwald, assets exceeded liabilities by \$15,159,985 at the close of the most recent fiscal year.

By far the largest portion of the City's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt use to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Hohenwald's Net Position - 2015

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 2,394,169	2,403,750
Deferred outflows	43,477	31,026
Capital assets	<u>1,813,343</u>	<u>20,691,000</u>
Total assets and deferred outflows	4,250,989	23,125,776
Long-term liabilities outstanding	403,667	9,524,361
Other liabilities	<u>353,133</u>	<u>802,248</u>
Total liabilities	756,800	10,326,609
Deferred inflows:	951,537	181,834
Net Position:		
Net investment in capital assets	1,409,676	11,166,639
Restricted	28,436	8,130
Unrestricted	<u>1,104,540</u>	<u>1,442,564</u>
Total Net Position	\$ 2,542,652	12,617,333

## City of Hohenwald's Net Position-2014

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 1,589,242	2,325,370
Capital assets	<u>1,976,400</u>	<u>21,278,263</u>
Total assets	3,565,642	23,603,633
Long-term liabilities outstanding	601,667	10,006,653
Other liabilities	<u>1,101,993</u>	<u>701,578</u>
Total liabilities	1,703,660	10,708,231
Net Position:		
Net investment in capital assets	1,374,733	11,271,610
Restricted	82,689	8,122
Unrestricted	<u>404,560</u>	<u>1,615,670</u>
Total Net Position	\$ 1,861,982	12,895,402

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### Governmental Funds

The focus of the City of Hohenwald's governmental funds is to provide information on near-term inflows, outflows and balances of resources. Such information is useful in assessing the City's financing requirements in particular, unassigned fund balance may serve as a useful measure to a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City's. At the end of the current fiscal year, unassigned fund balance of the general fund was \$565,572. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 19% of total general fund expenditures.

### Business- Type Activities

The Business-type funds Net Position decreased by \$261,167 due to decreased capital contributions in the current year.

**Comparison of revenues and expenses 2015  
and 2014**

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Revenues:			
Property taxes	872,869	911,561	(38,692)
Sales taxes	1,338,075	1,262,122	75,953
Local tax revenue	359,491	348,054	11,437
Income and excise taxes	32,420	28,190	4,230
Miscellaneous	28,069	31,981	(3,912)
Charges for services	4,579,715	4,984,803	(405,088)
Operating contributions	149,202	184,484	(35,282)
Capital contributions	448,219	660,025	(211,806)
Total Revenues	<u>\$7,808,060</u>	<u>\$8,411,220</u>	<u>(\$603,160)</u>
Expenses:			
General government	633,291	788,965	(155,674)
Police department	1,093,118	1,011,728	81,390
Fire department	266,425	267,859	(1,434)
Animal control	18,750	23,646	(4,896)
Public works	226,953	315,889	(88,936)
Cemetery	8,656	49,096	(40,440)
Parks	46,478	46,380	98
Emergency services	273,942	266,587	7,355
Golf Course	216,398	226,335	(9,937)
Drug fund expenses	9,587	11,133	(1,546)
Highway and streets	158,964	74,673	84,291
Water and Sewer Fund	2,534,676	2,534,658	18
Natural Gas	1,556,370	1,673,853	(117,483)
Solid Waste	326,029	403,484	(77,455)
Total Expenses	<u>\$7,369,637</u>	<u>\$7,694,286</u>	<u>(\$324,649)</u>
Change in Net Position	<u>438,423</u>	<u>716,934</u>	<u>(278,511)</u>

The assets of the City of Hohenwald exceeded its liabilities at the close of the most recent fiscal year by \$15,159,985. Of this amount, \$2,547,104 (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total Net Position increased by \$438,447, primarily due to decreases in expenses in the governmental and utility funds. Expenses were \$324,649 lower than in the prior year primarily due to lower natural gas purchases and decreased maintenance and repair costs.

### **Governmental Budgetary Highlights**

The City maintained all of its departmental budgets during the year. See pages 21-26 for an analysis of the budgets. Amendments were made to the budget during the year to reflect the additional expenditures as directed by the Board.

### **Capital Assets**

The City of Hohenwald's investment in capital assets from its governmental activities at June 30, 2015, amounts to \$1,813,343 (net of accumulated depreciation) and its business-type activities amounts to \$20,691,000. This investment in capital assets is in land, buildings, improvements, machinery and equipment. The total decrease in the City's investment in capital assets for the current fiscal year was \$15,270.

#### **City of Hohenwald's Capital Assets- 2015**

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 2,824,048	\$ 28,122,723
Equipment	<u>2,007,420</u>	<u>2,023,413</u>
Less accumulated depreciation	(3,018,125)	(9,455,136)
Net Capital Assets	\$ <u>1,813,343</u>	\$ <u>20,691,000</u>

#### **City of Hohenwald's Capital Assets- 2014**

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 2,949,176	\$28,080,591
Equipment	<u>2,040,272</u>	<u>1,922,835</u>
Less accumulated depreciation	(3,013,048)	(8,725,163)
Net Capital Assets	\$ <u>1,976,400</u>	\$ <u>21,278,263</u>

Additional information on the City of Hohenwald's capital assets can be found in the notes to the financial statements section of this report.

### **Long-term Debt**

The City has total debt of \$9,928,028 of which \$403,667 is general obligation debt and \$9,524,361 is debt of the Utility system. All debts are being are paid as scheduled.

Additional information on the City of Hohenwald's long-term debt can be found in the notes to the financial statements section of this report.

### **Economic Factors and Next Year's Budget and Rates**

In the 2015-2016 budget, General fund revenues and user charges are budgeted to increase from the 2014-2015 budget year primarily due to increases in user charges and local revenues. The City's budget has benefited by an expanding commercial and retail base producing increased local sales tax receipts. Expenses are expected to remain stable during the 2015-2016 fiscal year.

All of these factors were considered in preparing the City's budget for the 2015-2016 fiscal year.

### **Requests for Information**

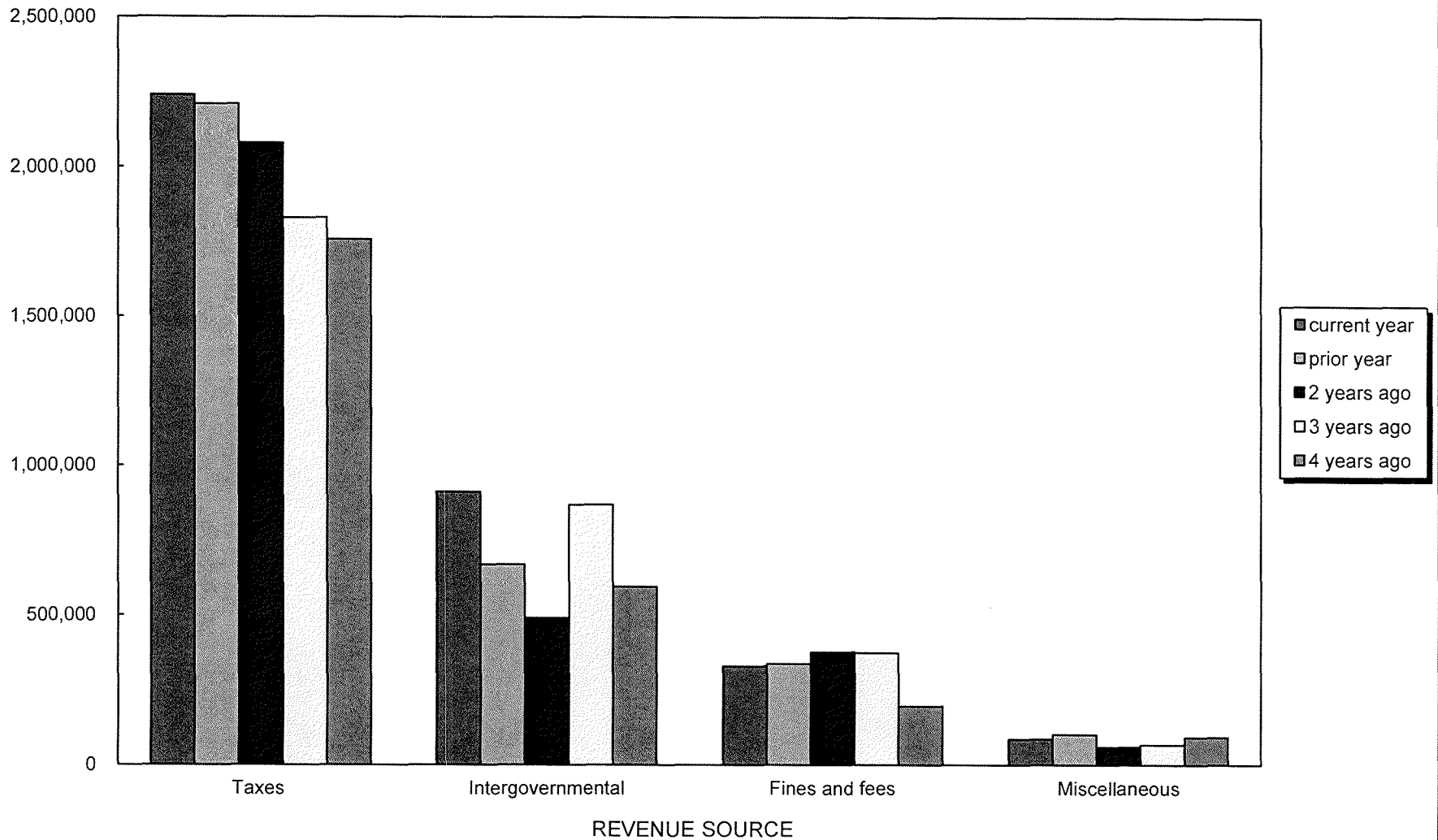
This financial report is designed to provide a general overview of the City of Hohenwald, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kyle Hamm  
City of Hohenwald



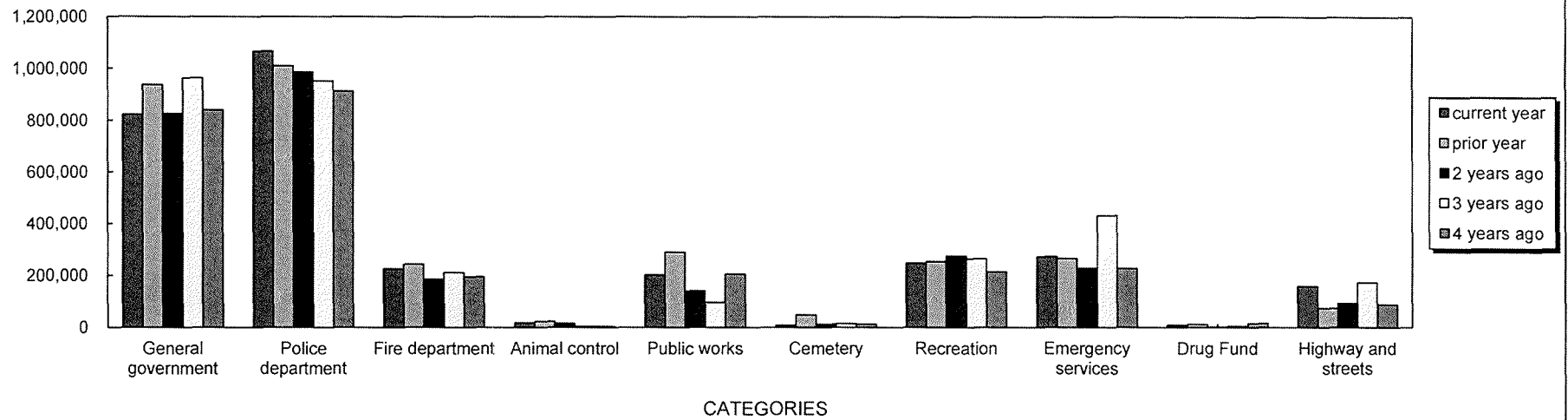
# CITY OF HOHENWALD

## GOVERNMENTAL FUND REVENUES



# CITY OF HOHENWALD

## GOVERNMENTAL FUND EXPENDITURES



# BASIC FINANCIAL STATEMENTS

CITY OF HOHENWALD, TENNESSEE

Statement of Net Position

June 30, 2015

<u>Assets and Deferred Outflows</u>	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	470,165	1,424,883	1,895,048
Receivables	1,034,555	554,157	1,588,712
Prepaid assets	663,567	20,963	684,530
Inventory	0	202,210	202,210
Deferred outflows - pension	43,477	31,026	74,503
Net pension position	225,882	201,537	427,419
Capital assets not being depreciated	784,107	273,441	1,057,548
Capital assets, net of accumulated depreciation	<u>1,029,236</u>	<u>20,417,559</u>	<u>21,446,795</u>
Total Assets and Deferred Outflows	<u>4,250,989</u>	<u>23,125,776</u>	<u>27,376,765</u>
<u>Liabilities, Deferred Inflows, and Net Position</u>			
Liabilities:			
Accounts payable	20,530	84,656	105,186
Accrued expenses	332,603	634,986	967,589
Bank overdraft	0	82,606	82,606
Long-term liabilities:			
Due within one year	202,333	488,187	690,520
Due in more than one year	<u>201,334</u>	<u>9,036,174</u>	<u>9,237,508</u>
Total Liabilities	<u>756,800</u>	<u>10,326,609</u>	<u>11,083,409</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - property tax	747,739	0	747,739
Deferred inflows of resources - pension	<u>203,798</u>	<u>181,834</u>	<u>385,632</u>
Total Deferred Inflows of Resources	<u>951,537</u>	<u>181,834</u>	<u>1,133,371</u>
Net Position:			
Net investment in Capital Assets	1,409,676	11,166,639	12,576,315
Restricted - Debt Service	0	8,130	8,130
Restricted - State street aid funds	19,310	0	19,310
Restricted - Drug funds	9,126	0	9,126
Unrestricted	<u>1,104,540</u>	<u>1,442,564</u>	<u>2,547,104</u>
Total Net Position	<u>2,542,652</u>	<u>12,617,333</u>	<u>15,159,985</u>

See accompanying notes to financial statements.

CITY OF HOHENWALD, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2015

Function/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Government Activities:						
General government	633,291	59,156	16,500	406,719	(150,916)	0
Police department	1,093,118	21,436	25,847	0	(1,045,835)	0
Fire department	266,425	0	0	0	(266,425)	0
Animal control	18,750	0	0	0	(18,750)	0
Public works	226,953	0	0	0	(226,953)	0
Cemetery	8,656	1,600	0	0	(7,056)	0
Parks	46,478	0	0	0	(46,478)	0
Emergency services	273,942	149,615	0	0	(124,327)	0
Golf Course	216,398	132,400	0	0	(83,998)	0
Drug fund expenses	9,587	15,107	0	0	5,520	0
Highway and streets	158,964	0	106,855	0	(52,109)	0
Total Governmental Activities	2,952,562	379,314	149,202	406,719	(2,017,327)	0
Business - type Activities:						
Water and Sewer Fund	2,534,652	2,269,234	0	41,500	0	(223,918)
Natural Gas	1,556,370	1,597,676	0	0	0	41,306
Solid Waste	326,029	333,491	0	0	0	7,462
Total Business Type Activities	4,417,051	4,200,401	0	41,500	0	(175,150)
Total	7,369,613	4,579,715	149,202	448,219	(2,017,327)	(175,150)
General Revenues:						
Property taxes					745,268	0
Public utility taxes					127,601	0
Sales taxes					1,338,075	0
Beer and liquor taxes					226,084	0
Franchise taxes					45,115	0
Business taxes					88,292	0
State income and excise taxes					32,420	0
Interest income					1,903	0
Other					26,166	0
Total general revenues					2,630,924	0
Transfers: In lieu of property taxes					86,017	(86,017)
Changes in Net Position					699,614	(261,167)
Net position - beginning of year					1,861,982	12,895,402
Restatement					(18,944)	(16,902)
Net Position - beginning of year, as restated					1,843,038	12,878,500
Net position - ending of year					2,542,652	12,617,333

See accompanying notes to financial statements.

# FUND FINANCIAL STATEMENTS

**CITY OF HOHENWALD, TENNESSEE**

**Balance Sheet**

**Governmental Funds**

**June 30, 2015**

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	<u>\$451,803</u>	<u>\$9,236</u>	<u>\$9,126</u>	<u>\$470,165</u>
Accounts receivable:				
Property taxes receivable	828,807	0	0	828,807
Other governments	<u>187,571</u>	<u>18,177</u>	<u>0</u>	<u>205,748</u>
	<u>1,016,378</u>	<u>18,177</u>	<u>0</u>	<u>1,034,555</u>
Prepaid assets	<u>663,567</u>	<u>0</u>	<u>0</u>	<u>663,567</u>
 Total Assets	 <u>\$2,131,748</u>	 <u>\$27,413</u>	 <u>\$9,126</u>	 <u>\$2,168,287</u>
<b><u>Liabilities, Deferred Inflow of Resources and Fund Balance</u></b>				
Liabilities:				
Accounts payable	\$12,427	8,103	0	20,530
Accrued expenses	<u>35,430</u>	<u>0</u>	<u>0</u>	<u>35,430</u>
 Total Liabilities	 <u>47,857</u>	 <u>8,103</u>	 <u>0</u>	 <u>55,960</u>
Deferred Inflow of Resources:				
Deferred current property taxes	747,739	0	0	747,739
Deferred delinquent property taxes	81,068	0	0	81,068
Other deferred/unavailable- other governments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Deferred Inflow of Resources	<u>828,807</u>	<u>0</u>	<u>0</u>	<u>828,807</u>
Fund Balance:				
Assigned - DARE program	25,945	0	0	25,945
Non-spendable	663,567	0	0	663,567
Unassigned	565,572	0	0	565,572
Restricted	<u>0</u>	<u>19,310</u>	<u>9,126</u>	<u>28,436</u>
Total Fund Balance	<u>1,255,084</u>	<u>19,310</u>	<u>9,126</u>	<u>1,283,520</u>
 Total Liabilities, Deferred Inflows, and Fund Balance	 <u>\$2,131,748</u>	 <u>\$27,413</u>	 <u>\$9,126</u>	 <u>\$2,168,287</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF HOHENWALD, TENNESSEE

Reconciliation of the Balance Sheet to the Statement of Net Position  
of Governmental Activities

June 30, 2015

Amounts reported for fund balance - total governmental funds	\$ <u>1,283,520</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	1,813,343
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	81,068
Pension related accounts - governmental funds do not record these post-benefit obligations	
Net pension position	225,882
Deferred outflow - pension	43,477
Deferred inflow - pension	(203,798)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds	
Accrued vacation expense	(56,059)
Accrued post retirement expense	(241,114)
Bonds payable	<u>(403,667)</u>
Net Position of governmental activities	\$ <u><u>2,542,652</u></u>

See accompanying notes to financial statements.



## CITY OF HOHENWALD, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds

For the Year Ended June 30, 2015

	General Fund	State Street Aid Fund	Drug Fund	Total Governmental Funds
Revenues:				
Taxes	2,239,929	0	0	2,239,929
Intergovernmental	811,656	99,191	0	910,847
Fines and fees	313,534	0	15,107	328,641
Miscellaneous	86,742	0	0	86,742
Total revenues	<u>\$3,451,861</u>	<u>\$99,191</u>	<u>\$15,107</u>	<u>\$3,566,159</u>
Expenditures:				
General government	597,757	0	0	597,757
Police department	1,067,100	0	0	1,067,100
Fire department	226,364	0	0	226,364
Animal control	18,330	0	0	18,330
Public works	203,042	0	0	203,042
Cemetery	8,550	0	0	8,550
Golf Course	202,179	0	0	202,179
Parks	45,739	0	0	45,739
Emergency services	273,942	0	0	273,942
Drug fund expenses	0	0	9,587	9,587
Highway and streets	0	158,964	0	158,964
<b>Capital outlay</b>				
General government	5,538	0	0	5,538
Fire department	11,200	0	0	11,200
Police department	17,200	0	0	17,200
Golf Course	10,454	0	0	10,454
<b>Debt service</b>				
Principal	198,000	0	0	198,000
Interest	22,188	0	0	22,188
Total expenditures	<u>\$2,907,583</u>	<u>\$158,964</u>	<u>\$9,587</u>	<u>\$3,076,134</u>
Excess (deficiency) of revenues over expenditures	<u>544,278</u>	<u>(59,773)</u>	<u>5,520</u>	<u>490,025</u>
Operating transfer - In lieu of taxes	86,017	0	0	86,017
Net change in fund balance	630,295	(59,773)	5,520	576,042
Fund balance, beginning of year	624,789	79,083	3,606	707,478
Fund balance, end of year	<u>\$1,255,084</u>	<u>\$19,310</u>	<u>\$9,126</u>	<u>\$1,283,520</u>

See accompanying notes to financial statements.

CITY OF HOHENWALD, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds:	\$ 576,042
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Acquisition of capital assets	44,392
Depreciation expense	(142,595)
Loss on disposal of assets	(64,854)
Liabilities not reported in the governmental fund -- change in accrued vacation liability	19,991
Liabilities not reported in the governmental fund -- change in pension plan accrual	84,505
Liabilities not reported in the governmental fund -- change in post retirement benefits liability	(38,266)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	22,399
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds	
Debt principal payments	<u>198,000</u>
Change in Net Position of governmental activities	\$ <u><u>699,614</u></u>

See accompanying notes to financial statements.

CITY OF HOHENWALD, TENNESSEE

Statement of Net Position

Proprietary Funds

June 30, 2015

	Water and Sewer Fund	Natural Gas Fund	Solid Waste Fund	Total
<u>Assets and Deferred Outflows</u>				
Current Assets:				
Cash and cash equivalents	\$0	\$1,418,778	6,105	1,424,883
Customer accounts receivable, net of allowance	435,441	62,982	55,734	554,157
Prepaid assets	13,242	4,422	3,299	20,963
Inventory	94,079	108,131	0	202,210
Total Current Assets	542,762	1,594,313	65,138	2,202,213
Capital Assets:				
Capital assets in service	27,462,768	2,276,552	406,816	30,146,136
Less accumulated depreciation	(7,640,869)	(1,460,508)	(353,759)	(9,455,136)
Total Capital Assets, Net	19,821,899	816,044	53,057	20,691,000
Deferred Outflows - pension	13,439	13,069	4,518	31,026
Net Pension Position	96,645	71,771	33,121	201,537
Total Assets and Deferred Outflows	<u>\$20,474,745</u>	<u>\$2,495,197</u>	<u>\$155,834</u>	<u>\$23,125,776</u>
<u>Liabilities</u>				
Bank overdraft	1,610	0	80,996	82,606
Accounts payable	50,782	32,199	1,675	84,656
Accrued expenses	134,472	52,106	1,528	188,106
Accrued landfill closure costs	0	0	446,880	446,880
Long-term debt due within one year	488,187	0	0	488,187
Long-term debt due in more than one year	9,036,174	0	0	9,036,174
Total Liabilities	9,709,615	84,305	531,079	10,326,609
Deferred Inflows - pension	87,197	64,754	29,883	181,834
Net Position:				
Net investment in capital assets	10,297,538	816,044	53,057	11,166,639
Restricted - Debt service	8,130	0	0	8,130
Unrestricted	370,655	1,530,094	(458,185)	1,442,564
Total Net Position	<u>10,676,323</u>	<u>2,346,138</u>	<u>(405,128)</u>	<u>12,617,333</u>

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF HOHENWALD, TENNESSEE**

**Statement of Revenues, Expenses  
and Changes in Net Position**

**Enterprise Funds**

**For the Year Ended June 30, 2015**

	Water and Sewer Fund	Natural Gas Fund	Solid Waste Fund	Total
Operating Revenues:				
Service fees	\$2,231,503	\$1,584,485	\$333,491	\$4,149,479
Tap and connection fees	26,190	12,611	0	38,801
Other income	11,541	580	0	12,121
Total Operating Revenues	<u>2,269,234</u>	<u>1,597,676</u>	<u>333,491</u>	<u>4,200,401</u>
Operating Expenses:				
Salaries	482,568	411,684	152,130	1,046,382
Payroll taxes	32,347	27,968	11,058	71,373
Employee benefits	242,858	104,595	78,541	425,994
Contract labor	0	998	0	998
Training	2,256	5,432	0	7,688
Fees	11,484	2,199	1,000	14,683
Utilities	305,806	36,606	4,737	347,149
Professional services	47,742	20,894	1,859	70,495
Gas purchased	0	708,907	0	708,907
Insurance	41,925	16,845	3,909	62,679
Repair and maintenance	312,305	20,306	16,215	348,826
Supplies	120,808	94,756	14,916	230,480
Office expense	3,431	16,122	0	19,553
Vehicle expense	32,243	16,323	28,985	77,551
Miscellaneous	4,118	949	1,489	6,556
Depreciation	646,997	71,786	11,190	729,973
Total Operating Expenses	<u>2,286,888</u>	<u>1,556,370</u>	<u>326,029</u>	<u>4,169,287</u>
Operating income (loss)	<u>(17,654)</u>	<u>41,306</u>	<u>7,462</u>	<u>31,114</u>
Nonoperating Revenues (Expenses):				
Interest expense	<u>(247,764)</u>	<u>0</u>	<u>0</u>	<u>(247,764)</u>
Total Nonoperating Revenues (Expenses)	<u>(247,764)</u>	<u>0</u>	<u>0</u>	<u>(247,764)</u>
Capital contributions	<u>41,500</u>	<u>0</u>	<u>0</u>	<u>41,500</u>
Operating transfer: In lieu of taxes	<u>0</u>	<u>(86,017)</u>	<u>0</u>	<u>(86,017)</u>
Net change in position	(223,918)	(44,711)	7,462	(261,167)
Net Position, July 1, 2014	<u>10,908,346</u>	<u>2,396,868</u>	<u>(409,812)</u>	<u>12,895,402</u>
Restatement	(8,105)	(6,019)	(2,778)	(16,902)
Net Position, July 1, 2014, as restated	<u>10,900,241</u>	<u>2,390,849</u>	<u>(412,590)</u>	<u>12,878,500</u>
Net Position, June 30, 2015	<u>\$10,676,323</u>	<u>\$2,346,138</u>	<u>(\$405,128)</u>	<u>\$12,617,333</u>

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF HOHENWALD, TENNESSEE**

**Statement of Cash Flows**

**Proprietary Fund Types**

**For the Year Ended June 30, 2015**

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash received from customers	2,286,888	1,556,370	326,029	4,169,287
Cash paid to suppliers	(956,859)	(890,661)	(80,088)	(1,927,608)
Cash paid to employees	(757,773)	(544,247)	(241,729)	(1,543,749)
Net Cash Provided (Used) by Operating Activities	<u>572,256</u>	<u>121,462</u>	<u>4,212</u>	<u>697,930</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets	(47,132)	(95,578)	0	(142,710)
Capital contributions	41,500	0	0	41,500
Interest paid	(247,764)	0	0	(247,764)
Repayment of debt	(482,292)	0	0	(482,292)
Net Cash Provided (Used) by Capital and Financing Activities	<u>(735,688)</u>	<u>(95,578)</u>	<u>0</u>	<u>(831,266)</u>
Cash Flows used by Non-capital Financing Activities:				
In lieu of taxes	0	(86,017)	0	(86,017)
Net Cash Flows used by Non-capital Financing Activities	<u>0</u>	<u>(86,017)</u>	<u>0</u>	<u>(86,017)</u>
Cash Flows from Investing Activities:				
Interest received	0	0	0	0
Net Cash Flows from Investing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Cash	<u>(163,432)</u>	<u>(60,133)</u>	<u>4,212</u>	<u>(219,353)</u>
Cash and Cash Equivalents, July 1, 2014	161,822	1,478,911	(79,103)	1,561,630
Cash and Cash Equivalents, June 30, 2015	<u>(1,610)</u>	<u>1,418,778</u>	<u>(74,891)</u>	<u>1,342,277</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	(17,654)	41,306	7,462	31,114
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	646,997	71,786	11,190	729,973
Change in assets (increase) decrease:				
Receivables	(21,413)	13,615	3,194	(4,604)
Inventory	(35,825)	26,959	0	(8,866)
Prepaid assets	(422)	85	217	(120)
Deferred inflows	(13,439)	(13,069)	(4,518)	(31,026)
Net pension position	(104,751)	(77,790)	(35,899)	(218,440)
Change in liabilities increase (decrease):				
Accounts payable	16,359	(11,831)	(285)	4,243
Accrued expenses	15,207	5,647	(7,032)	13,822
Deferred outflows	87,197	64,754	29,883	181,834
Net Cash Provided (Used) by Operating Activities	<u>572,256</u>	<u>121,462</u>	<u>4,212</u>	<u>697,930</u>

See accompanying notes to the financial statements.

**CITY OF HOHENWALD, TENNESSEE**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

**General Fund**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Taxes:				
Property taxes	\$732,051	\$732,051	\$745,268	13,217
Public utility taxes	77,315	77,315	83,803	6,488
Local sales tax	983,103	983,103	1,053,164	70,061
Local beer and liquor tax	210,614	210,614	224,287	13,673
Franchise taxes	38,229	38,229	45,115	6,886
Business taxes	80,000	80,000	88,292	8,292
Total Taxes	<u>2,121,312</u>	<u>2,121,312</u>	<u>2,239,929</u>	<u>118,617</u>
Intergovernmental:				
TVA in lieu	41,819	41,819	43,798	1,979
State sales tax	241,390	241,390	284,911	43,521
State beer tax	1,778	1,778	1,797	19
State income tax	8,363	8,363	17,955	9,592
State special petroleum tax	29,620	29,620	7,664	(21,956)
Grants	2,385,634	2,385,634	425,466	(1,960,168)
State supplement	7,200	7,200	15,600	8,400
Corporate excise tax	16,244	16,244	14,465	(1,779)
Total Intergovernmental Revenue	<u>2,732,048</u>	<u>2,732,048</u>	<u>811,656</u>	<u>(1,920,392)</u>
Fines and fees:				
Building permits	2,600	2,600	6,883	4,283
Police fines	31,700	31,700	21,436	(10,264)
Golf course revenues	149,452	149,452	132,400	(17,052)
Dispatcher reimbursement	149,795	149,795	149,615	(180)
Cemetery	800	800	1,600	800
Other fines and fees	750	750	1,600	850
Total Fines and Fees	<u>335,097</u>	<u>335,097</u>	<u>313,534</u>	<u>(21,563)</u>
Miscellaneous:				
Miscellaneous	13,032	13,032	14,943	1,911
Economic development	0	0	8,000	8,000
Insurance recoveries	6,082	6,082	11,223	5,141
SRO reimbursement	0	0	50,173	50,173
Rent	30,000	30,000	500	(29,500)
Interest income	3,100	3,100	1,903	(1,197)
Total Miscellaneous Revenue	<u>52,214</u>	<u>52,214</u>	<u>86,742</u>	<u>34,528</u>
Total Revenues	<u>5,240,671</u>	<u>5,240,671</u>	<u>3,451,861</u>	<u>(1,788,810)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF HOHENWALD, TENNESSEE**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

**General Fund**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures:				
General Government:				
Current:				
Salaries	99,931	99,931	125,853	25,922
Payroll taxes	7,645	7,645	8,252	607
Employee benefits	114,835	114,835	132,715	17,880
Utilities	60,074	60,074	57,803	(2,271)
Professional services	87,287	87,287	47,681	(39,606)
Office supplies	24,971	24,971	18,691	(6,280)
Supplies	10,592	10,592	12,475	1,883
Donations	12,500	12,500	10,729	(1,771)
Travel and training	4,034	4,034	12,651	8,617
Insurance	7,840	7,840	11,565	3,725
Dues and subscriptions	3,604	3,604	4,941	1,337
Vehicle expenses	8,707	8,707	4,074	(4,633)
Repair and maintenance	34,338	34,338	11,006	(23,332)
Industrial development	83,186	83,186	123,820	40,634
Miscellaneous	16,576	16,576	15,501	(1,075)
	<u>576,120</u>	<u>576,120</u>	<u>597,757</u>	<u>21,637</u>
Debt service	219,271	219,271	212,188	(7,083)
Capital outlay	2,375,634	2,375,634	5,538	(2,370,096)
Total General Government	<u>3,171,025</u>	<u>3,171,025</u>	<u>815,483</u>	<u>(2,355,542)</u>
Public Safety:				
Police Department:				
Current:				
Salaries	576,644	576,644	619,694	43,050
Payroll taxes	44,113	44,113	41,720	(2,393)
Employee benefits	269,482	269,482	267,781	(1,701)
Training	7,500	7,500	8,238	738
Dues and subscriptions	1,000	1,000	1,030	30
Utilities	12,850	12,850	12,421	(429)
Insurance	33,000	33,000	30,866	(2,134)
Vehicle expense	38,500	38,500	35,297	(3,203)
Repair & maintenance	3,500	3,500	6,430	2,930
Supplies	20,900	20,900	22,783	1,883
Professional services	23,500	23,500	10,910	(12,590)
Rent	8,640	8,640	8,500	(140)
Miscellaneous	3,800	3,800	1,430	(2,370)
	<u>1,043,429</u>	<u>1,043,429</u>	<u>1,067,100</u>	<u>23,671</u>
Capital outlay	40,000	40,000	17,200	(22,800)
Total Police Department	<u>1,083,429</u>	<u>1,083,429</u>	<u>1,084,300</u>	<u>871</u>
Fire Department:				
Current:				
Salaries and volunteer firemen	126,963	126,963	125,508	(1,455)
Payroll taxes	9,713	9,713	8,874	(839)
Employee benefits	36,427	36,427	44,369	7,942
Training and travel	2,000	2,000	4,086	2,086
Repair and maintenance	3,450	3,450	1,422	(2,028)
Supplies	5,200	5,200	11,279	6,079
Uniforms	13,200	13,200	11,875	(1,325)
Insurance	12,200	12,200	11,580	(620)
Vehicle expenses	7,200	7,200	6,402	(798)
Miscellaneous	2,401	2,401	969	(1,432)
	<u>218,754</u>	<u>218,754</u>	<u>226,364</u>	<u>7,610</u>
Capital outlay	32,000	32,000	11,200	(20,800)
Total Fire Department	<u>250,754</u>	<u>250,754</u>	<u>237,564</u>	<u>(13,190)</u>
Total Public Safety	<u>1,334,183</u>	<u>1,334,183</u>	<u>1,321,864</u>	<u>(12,319)</u>

Continued on next page

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF HOHENWALD, TENNESSEE**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

**General Fund**

**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Animal Control				
Salary and benefits	16,337	16,337	14,948	(1,389)
Supplies	6,120	6,120	3,382	(2,738)
	<u>22,457</u>	<u>22,457</u>	<u>18,330</u>	<u>(4,127)</u>
Capital outlay	0	0	0	0
Total Animal Control	<u>22,457</u>	<u>22,457</u>	<u>18,330</u>	<u>(4,127)</u>
Public Works:				
Salaries	62,124	62,124	76,481	14,357
Payroll taxes	4,752	4,752	4,834	82
Employee benefits	23,112	23,112	35,412	12,300
Repair and maintenance	13,108	13,108	66,576	53,468
Vehicle expense	20,244	20,244	13,150	(7,094)
Materials and supplies	403	403	5,721	5,318
Miscellaneous	1,448	1,448	868	(580)
	<u>125,191</u>	<u>125,191</u>	<u>203,042</u>	<u>77,851</u>
Capital outlay	60,000	60,000	0	(60,000)
Total Public Works	<u>185,191</u>	<u>185,191</u>	<u>203,042</u>	<u>17,851</u>
Cemetery				
Salaries	3,376	3,376	0	(3,376)
Payroll taxes	258	258	0	(258)
Repair and maintenance	12,000	12,000	8,550	(3,450)
	<u>15,634</u>	<u>15,634</u>	<u>8,550</u>	<u>(7,084)</u>
Capital outlay	0	0	0	0
Total Cemetery	<u>15,634</u>	<u>15,634</u>	<u>8,550</u>	<u>(7,084)</u>
Golf Course:				
Salaries	88,161	88,161	100,537	12,376
Payroll taxes	6,744	6,744	7,496	752
Employee benefits	12,421	12,421	12,330	(91)
Utilities	14,120	14,120	13,384	(736)
Repair and maintenance	30,600	30,600	30,226	(374)
Tournament Prizes	7,000	7,000	6,986	(14)
Vehicle expense	8,800	8,800	6,384	(2,416)
Insurance	1,100	1,100	1,014	(86)
Materials and supplies	21,050	21,050	20,187	(863)
Miscellaneous	1,612	1,612	3,635	2,023
	<u>191,608</u>	<u>191,608</u>	<u>202,179</u>	<u>10,571</u>
Debt service	8,000	8,000	8,000	0
Capital outlay	10,000	10,000	10,454	454
Total Golf Course	<u>209,608</u>	<u>209,608</u>	<u>220,633</u>	<u>11,025</u>

The notes accompanying the financial statements are an integral part of these financial statements.



## CITY OF HOHENWALD, TENNESSEE

Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued

## General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Parks and Recreation:				
Utilities	1,000	1,000	739	(261)
Donations	45,000	45,000	45,000	0
	<u>46,000</u>	<u>46,000</u>	<u>45,739</u>	<u>(261)</u>
Capital outlay	0	0	0	0
Total Parks and Recreation	<u>46,000</u>	<u>46,000</u>	<u>45,739</u>	<u>(261)</u>
Emergency Services:				
Salaries	157,775	157,775	164,818	7,043
Payroll taxes	12,070	12,070	10,531	(1,539)
Employee benefits	65,698	65,698	94,579	28,881
Memberships	9,612	9,612	2,402	(7,210)
Miscellaneous	2,596	2,596	1,612	(984)
	<u>247,751</u>	<u>247,751</u>	<u>273,942</u>	<u>26,191</u>
Capital outlay	0	0	0	0
Total Emergency Services	<u>247,751</u>	<u>247,751</u>	<u>273,942</u>	<u>26,191</u>
 Total Expenditures	 <u>5,231,849</u>	 <u>5,231,849</u>	 <u>2,907,583</u>	 <u>(2,324,266)</u>
 Excess (deficiency) of Revenues over Expenditures	 8,822	 8,822	 544,278	 535,456
 Operating transfer - in lieu of taxes	 25,000	 25,000	 86,017	 61,017
 Net change in fund balance	 33,822	 33,822	 630,295	 596,473
Fund Balance, July 1, 2014	<u>624,789</u>	<u>624,789</u>	<u>624,789</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>658,611</u>	<u>658,611</u>	<u>1,255,084</u>	<u>596,473</u>

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF HOHENWALD, TENNESSEE**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual**

**State Street Aid Fund**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	20,000	20,000	20,128	128
Gasoline 1989 tax	10,000	10,000	10,844	844
Gasoline and motor fuel	<u>66,000</u>	<u>66,000</u>	<u>68,219</u>	<u>2,219</u>
Total Revenues	<u>96,000</u>	<u>96,000</u>	<u>99,191</u>	<u>3,191</u>
Expenditures:				
Streets:				
Street lights	75,000	75,000	88,092	13,092
Maintenance and repair	50,000	50,000	70,872	20,872
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>125,000</u>	<u>125,000</u>	<u>158,964</u>	<u>33,964</u>
Excess (deficiency) of revenues over expenditures	(29,000)	(29,000)	(59,773)	30,773
Fund Balance, July 1, 2014	<u>79,083</u>	<u>79,083</u>	<u>79,083</u>	<u>-</u>
Fund Balance, June 30, 2015	<u><u>\$50,083</u></u>	<u><u>\$50,083</u></u>	<u><u>19,310</u></u>	<u><u>(30,773)</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF HOHENWALD, TENNESSEE**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual**

**Drug Fund**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Fines and Fees:				
Drug related	5,000	5,000	15,107	10,107
Miscellaneous:				
Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>15,107</u>	<u>10,107</u>
Expenditures:				
Supplies	5,000	5,000	9,587	4,587
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>9,587</u>	<u>4,587</u>
Excess (deficiency) of revenues over expenditures	0	0	5,520	5,520
Fund Balance, July 1, 2014	<u>3,606</u>	<u>3,606</u>	<u>3,606</u>	<u>0</u>
Fund Balance, June 30, 2015	<u><u>\$3,606</u></u>	<u><u>\$3,606</u></u>	<u><u>9,126</u></u>	<u><u>5,520</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements

June 30, 2015

#### **(1) Summary of Significant Accounting Policies**

The City of Hohenwald, Tennessee, was incorporated by the Private Act of the Tennessee General Assembly. The City provides the following services, as authorized by its charter and duly passed ordinances: public safety (Police and Fire), water and sewerage, natural gas, streets, sanitation, recreations, public improvements, planning and zoning, and general administrative services. The accounting policies of the City of Hohenwald, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

##### Reporting Entity:

In evaluating the City as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City has no component units at yearend.

##### Accounting Pronouncements:

Effective July 1, 2003 the City adopted GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements. The requirements of these statements represent a significant change in the financial reporting model used by the City. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. Other significant changes include the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis.

The government-wide financial statements present the City's programs between business-type and governmental activities.

# CITY OF HOHENWALD, TENNESSEE

## Notes to Financial Statements

June 30, 2015

### (1) Summary of Significant Accounting Policies, Continued

#### Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most governmental revenues as available if received within 45 days of years end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements

#### **(1) Summary of Significant Accounting Policies, Continued**

The government reports the following major funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

State Street Aid Fund - The State Street Aid Fund is used to account for the operations of the state shared gasoline revenues.

Drug Fund - The Drug Fund accounts for the revenues derived from drug-related fines and the City's investigative and educational programs.

The government reports the following major proprietary funds:

Water and Sewer Fund - This fund is used to account for the operations of the Water and Sewer Fund.

Natural Gas Fund - This fund is used to account for the operations of the Natural Gas Fund.

Solid Waste Fund - To account for the operations of the Sanitation operations.

The Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments- in-lieu taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements

#### (1) Summary of Significant Accounting Policies, Continued

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the City uses committed, assigned then unassigned funds.

##### Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

##### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for intergovernmental shared revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

##### Compensated Absences

The City has accrued a liability for unused sick and vacation pay which is earned, but not taken by City employees.

	Balance July 1, <u>2014</u>	Addi- tions	Retire- ments	Balance June 30, <u>2015</u>
Governmental activities	76,050	-	19,991	56,059
Business-type activities	81,474	-	13,322	68,152



## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements

June 30, 2015

#### (1) Summary of Significant Accounting Policies, Continued

##### Property Tax

The City's property tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55%
Industrial and Commercial Property	
- Real	40%
- Personal	30%
Farm and Residential Property	25%

Taxes were levied at a rate of \$1.50 per \$100 of assessed valuation for the fiscal year ended June 30, 2015. Payments may be made during the period from July 1 through November 1. Current tax collections of \$672,255 for the fiscal year ended June 30, 2015 were approximately 90 percent of the tax levy. Delinquent taxes are turned over to the County for collection as required by the City's Municipal Code.

##### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$2,500 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is provided over the estimated useful lives using the straight line method.

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Utility Plant in Service	10-50 years
Furniture and Equipment	5-10 years

## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements

June 30, 2015

#### **(1) Summary of Significant Accounting Policies, Continued**

##### Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

##### Inventory

Inventory of the Utility Fund is valued at cost, using the first in first out method. Inventory of all the governmental funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

##### Restricted Assets

Certain proceeds of the Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on their respective balance sheets because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

##### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments that potentially subject the City to significant concentrations of credit risk consist principally of cash and accounts receivable. The City places its cash with federally-insured financial institutions, institutions participating in the State collateral pool. With respect to accounts receivable, credit risk is dispersed across a large number of customers concentrated within one area of service.

##### Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Hohenwald's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Hohenwald's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements

June 30, 2015

#### (1) Summary of Significant Accounting Policies, Continued

##### Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Council vote on an annual basis for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The City Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the City Council.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

During the year the City exceeded the following departmental budgets:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Police department	1,083,429	1,084,300	871
Public works	185,191	203,042	17,851
Golf course	209,608	220,633	11,025
Emergency services	247,751	273,942	26,191
Drug Fund	5,000	9,587	4,587
State street aid	125,000	158,964	33,964

##### Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less and amounts held by the State Local Government Investment Pool.

## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements

June 30, 2015

#### (1) **Summary of Significant Accounting Policies, Continued**

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority (Mayor), Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund.

Only by Board approval (via ordinance) can fund balance amounts be classified as committed or assigned. Board approval (via ordinance) is required to establish, modify or rescind a fund balance requirement.

#### (2) **Cash and Cash Equivalents**

The City is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the City invested funds that were not immediately needed in certificates of deposits, savings accounts and investments in the State of Tennessee Local Government Investment Pool. The City has deposit policies to minimize custodial credit risks. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the city. The City's deposits with financial institutions are fully insured or collateralized by securities held by the depository bank in the government's name.

# CITY OF HOHENWALD, TENNESSEE

## Notes to Financial Statements

June 30, 2015

### (3) Accounts Receivable

Accounts receivable at June 30, 2015, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 187,571	828,807	-	1,016,378
Special Revenue Funds	18,177	-	-	18,177
Enterprise Fund	-	-	1,402,917	1,402,917
Less allowance for doubtful accounts	-	-	(848,760)	(848,760)
Total	<u>\$205,748</u>	<u>828,807</u>	<u>554,157</u>	<u>1,588,712</u>

### (4) Capital Assets

A summary of changes in general capital assets as presented in the governmental activities column of the government- wide financial statements is as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2015</u>
Land	\$787,869	5,538	9,300	784,107
Buildings	867,729	0	121,366	746,363
Improvements	1,293,578	0	0	1,293,578
Vehicles	1,237,601	17,200	23,900	1,230,901
Equipment	802,671	21,654	47,806	776,519
Total	<u>4,989,448</u>	<u>44,392</u>	<u>202,372</u>	<u>4,831,468</u>
Less Accumulated Depreciation	<u>3,013,048</u>			<u>3,018,125</u>
Net capital assets in service	<u>\$1,976,400</u>			<u>\$1,813,343</u>

All assets, except land of \$784,107, are being depreciated.

# CITY OF HOHENWALD, TENNESSEE

## Notes to Financial Statements

June 30, 2015

### (4) Capital Assets, Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

General Fund:	
General government administration	\$ 36,416
Police department	26,018
Fire department	40,061
Public Works	23,911
Garage	705
Animal shelter	420
Park	739
Golf	14,219
Cemetery	<u>106</u>
Total	<u>142,595</u>

A summary of changes in Enterprise (Water and Sewer) Fund capital assets and related accumulated depreciation follows:

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Land and easement	\$118,446	0	0	118,446
Buildings	85,014	0	0	85,014
Utility plant	26,103,530	0	0	26,103,530
Construction in progress	0	42,132	0	42,132
Equipment	1,108,646	5,000	0	1,113,646
Total	27,415,636	<u>47,132</u>	<u>0</u>	27,462,768
Less Accumulated Depreciation	<u>6,993,872</u>			<u>7,640,869</u>
Net capital assets in service	<u>\$20,421,764</u>			<u>\$19,821,899</u>

All assets, except land and easements of \$118,446 and CIP of \$42,132, are being depreciated. Depreciation expense was \$646,997 in 2015.

# CITY OF HOHENWALD, TENNESSEE

## Notes to Financial Statements, Continued

June 30, 2015

### (4) Capital Assets, Continued

A summary of changes in Enterprise (Gas) Fund capital assets and related accumulated depreciation follows:

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Land and easement	\$79,388	0	0	79,388
Utility plant	1,660,738	0	0	1,660,738
Equipment	440,848	95,578	0	536,426
Total	2,180,974	95,578	0	2,276,552
Less Accumulated Depreciation	1,388,722			1,460,508
Net capital assets in service	\$792,252			\$816,044

All assets, except land of \$79,388, are being depreciated. Depreciation expense was \$71,786 in 2015.

A summary of changes in Enterprise (Solid Waste) Fund capital assets and related accumulated depreciation follows:

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Land and easement	\$33,475	0	0	33,475
Equipment	373,341	0	0	373,341
Total	406,816	0	0	406,816
Less Accumulated Depreciation	342,569			353,759
Net capital assets in service	\$64,247			\$53,057

All assets, except land and easements of \$33,475, are being depreciated. Depreciation expense was \$11,190 in 2015.

# CITY OF HOHENWALD, TENNESSEE

## Notes to Financial Statements, Continued

June 30, 2015

**(5) Long-Term Debt Payable and Other Obligations Payable**

The following schedule reflects the changes in long-term debt, as shown for governmental activities during the fiscal year 2015.

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Bonds payable				
Capital Outlay – Energy Loan – Golf	\$16,667	0	8,000	8,667
Public Improvement Bonds	585,000	0	190,000	395,000
Total	<u>601,667</u>	<u>0</u>	<u>198,000</u>	<u>403,667</u>

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Water and Sewer) Fund during the fiscal year 2015.

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Bonds payable				
2007 Refunding	\$2,025,000	0	65,000	1,960,000
State revolving loan	4,478,186	0	226,680	4,251,506
Series 2011	1,625,000	0	55,000	1,570,000
2009 series	1,385,000	0	65,000	1,320,000
2002 Refunding	38,467	0	12,612	25,855
2003 Bonds	455,000	0	58,000	397,000
Total	<u>10,006,653</u>	<u>0</u>	<u>482,292</u>	<u>9,524,361</u>



## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements, Continued

June 30, 2015

#### (5) Long-Term Debt Payable and Other Obligations Payable, Continued

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>General Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2016	202,333	14,813
2017	<u>201,334</u>	<u>7,500</u>
Total	<u>403,667</u>	<u>22,313</u>

Year Ending <u>June 30,</u>	<u>Water and Sewer Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2016	488,187	255,130
2017	503,726	244,655
2018	497,086	230,151
2019	513,523	215,457
2020	529,010	200,012
2021-2025	2,866,139	765,982
2026-2030	3,079,201	342,877
2031-2035	852,489	69,183
2036-2037	<u>195,000</u>	<u>6,000</u>
Total	<u>9,524,361</u>	<u>2,329,447</u>

#### (6) Contributed Capital - Enterprise Funds

In accordance with GASB No. 33 the City no longer records contributed capital from customer tap fees and grants from other governments. The City has recorded the contributed capital into its net position accounts.

#### (7) Closure and Post Closure Care Cost

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The accrued landfill closure and post-closure care cost at yearend, was \$446,880. This represents estimated post-closure cost, based on engineer's projections.

## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements, Continued

June 30, 2015

#### (8) Pension Plan

##### **General Information about the Pension Plan**

*Plan description.* Employees of Hohenwald are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated Title 8, Chapter 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees covered by benefit terms.* At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>53</u>
Total	<u>109</u>

## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements

June 30, 2015

#### **(8) Pension Plan, Continued**

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. Hohenwald makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Hohenwald were (\$136,432) based on a rate of (7.57%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hohenwald's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

#### Net Pension Liability (Asset)

Hohenwald's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

*Inflation* 3.0 percent

*Salary increases* Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation averaging 4.25 percent.

*Investment rate of return* 7.5 percent, net of pension plan investment expenses, including inflation.

*Cost-of-Living Adjustment* 2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements

June 30, 2015

#### (8) Pension Plan, Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

#### *Long-term Expected*

<u>Asset class</u>	<u>Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real Estate	4.73%	7%
Short-term securities	0.00%	1%
Total		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Hohenwald will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## CITY OF HOHENWALD, TENNESSEE

## Notes to Financial Statements

June 30, 2015

(8) Pension, Continued

### Changes in the Net Pension Liability (Asset)

		Increase (Decrease)		
		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
		(a)	(b)	(a) – (b)
Balance at 6/30/13	\$	5,487,569	\$ 5,286,714	\$ 200,855
Changes for the year:				
Service cost		158,309		158,309
Interest		413,232		413,232
Differences between expected and actual experience		(41,042)		(41,042)
Contributions-employer			165,009	(165,009)
Contributions-employees			90,374	(90,374)
Net investment income			877,830	(877,830)
Benefit payments, including refunds of employee contributions		(272,234)	(272,234)	-
Administrative expense			(2,166)	2,166
Net changes		258,265	858,813	(600,548)
Balance at 6/30/14	\$	5,745,834	\$ 6,145,527	\$ (399,693)

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of Hohenwald calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Hohenwald's net pension Liability (asset)	353,626	(399,693)	(1,018,998)

# CITY OF HOHENWALD, TENNESSEE

## Notes to Financial Statements

June 30, 2015

### (8) Pension, Continued

#### **Pension Expense (income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension income.* For the year ended June 30, 2015, Hohenwald recognized pension income of \$15,705.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2015, Hohenwald reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	-	34,202
Net difference between projected and Actual earning on pension plan Investments	-	385,632
Contributions subsequent to the Measurement date of June 30, 2015	<u>74,503</u>	<u>-</u>
Total	<u>74,503</u>	<u>419,834</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	(103,248)
2017	(103,248)
2018	(103,248)
2019	(103,248)
2020	(6,840)
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements, Continued

June 30, 2015

#### (9) Post Retirement Benefits

On July 1, 2011, the City approved certain post-retirement benefits – providing certain medical benefits.

##### Funding policy

The premium requirements of the City are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The City developed their own contribution policy in terms of subsidizing active employees or retired employees' premiums.

##### Annual OPEB Cost and Net OPEB Obligation

ARC	\$ 187,429
Interest on the NPO	1,811
Adjustment to the ARC	<u>(1,764)</u>
Annual OPEB Cost	187,476
Contribution - expected payouts	<u>(126,572)</u>
Increase/decrease in NPO	60,904
Net OPEB obligation – beginning of year	279,046
Net OPEB obligation – end of the year	<u>339,950</u>

##### Trend Information

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/2015	\$ 187,429	68%	\$ 339,950
6/30/2014	\$ 187,429	68%	\$ 279,046
6/30/2013	\$ 179,066	71%	\$ 141,944

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## CITY OF HOHENWALD, TENNESSEE

### Notes to Financial Statements

June 30, 2015

#### **(9) Post Retirement Benefits, Continued**

##### Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

#### **(10) Commitments and Contingencies**

##### Litigation:

There are pending lawsuits in which the City is involved. The City attorney estimates that potential claims against the City resulting from such litigation will not materially affect the financial statements of the City at yearend.

##### Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

#### **(11) Risk Management**

The City of Hohenwald is exposed to various risks to general liability and property and casualty losses. The City has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City joined TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The City pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event. The City has not had claims in excess of insurance coverage during the last three years.

#### **(12) Restatement – Change in Accounting Principle**

The City Implemented GASB Statement 68 and GASB Statement 71 related to the accounting and financial reporting for pension plans and as a result has restated the government-wide financial statements.



# REQUIRED SUPPLEMENTARY INFORMATION

## Schedules of Required Supplementary Information

### Schedule of Changes in Hohenwald's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS Last Fiscal Year ending June 30

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 158,309
Interest	413,232
Changes in benefit terms	-
Differences between actual & expected experience	(41,042)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(272,234)</u>
<b>Net change in total pension liability</b>	258,265
<b>Total pension liability-beginning</b>	<u>5,487,569</u>
<b>Total pension liability-ending (a)</b>	<u>\$ 5,745,834</u>
 <b>Plan fiduciary net position</b>	
Contributions-employer	\$ 165,009
Contributions-employee	90,374
Net investment income	877,830
Benefit payments, including refunds of employee contributions	(272,234)
Administrative expense	<u>(2,166)</u>
<b>Net change in plan fiduciary net position</b>	858,813
<b>Plan fiduciary net position-beginning</b>	<u>5,286,714</u>
<b>Plan fiduciary net position-ending (b)</b>	<u>\$ 6,145,527</u>
 <b>Net Pension Liability (asset)-ending (a) – (b)</b>	<u>\$ (399,693)</u>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	106.96%
 <b>Covered-employee payroll</b>	\$ 1,791,578
 <b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	22.31%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

# CITY OF HOHENWALD, TENNESSEE

## Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS

For the Year Ended June 30, 2015

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	165,009	136,432
Contributions in relation to the actuarially determined contribution	<u>165,009</u>	<u>136,432</u>
Contribution deficiency (excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>
 Covered-employee payroll	 <u>1,791,578</u>	 <u>1,803,112</u>
Contributions as a percentage covered-employee payroll	9.21%	7.57%

### Notes to Schedule

*Valuation date:* Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

#### *Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

# SUPPLEMENTAL INFORMATION

CITY OF HOHENWALD, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets By Type

June 30, 2015

<u>Description</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2015</u>
Land	\$787,869	5,538	9,300	784,107
Buildings	867,729	0	121,366	746,363
Improvements	1,293,578	0	0	1,293,578
Vehicles	1,237,601	17,200	23,900	1,230,901
Equipment	802,671	21,654	47,806	776,519
Total Assets	<u>\$4,989,448</u>	<u>44,392</u>	<u>202,372</u>	<u>4,831,468</u>

CITY OF HOHENWALD, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Capital Assets By Function and Activity

June 30, 2015

<u>Description</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Vehicles and Equipment</u>	<u>Total</u>
General Government	\$607,726	638,203	374,469	280,923	1,901,321
Police Department	0	1,150	0	445,743	446,893
Fire Department	0	0	0	828,082	828,082
Public Works	0	0	575,814	198,745	774,559
Garage	0	53,067	0	24,175	77,242
Park	0	7,735	340,126	7,030	354,891
Golf course	148,312	35,709	0	222,722	406,743
Animal control	0	10,499	0	0	10,499
Cemetery	28,069	0	3,169	0	31,238
Total Assets	<u>\$784,107</u>	<u>746,363</u>	<u>1,293,578</u>	<u>2,007,420</u>	<u>4,831,468</u>

CITY OF HOHENWALD, TENNESSEE

Schedule of Cash and Cash Equivalents and Certificate of Deposits  
All Funds

June 30, 2015

	Carrying Value
General Fund:	
Demand deposits	\$451,803
Total General Fund	<u>451,803</u>
State Street Aid Fund - demand deposit	<u>9,236</u>
Drug Fund - demand deposit	<u>9,126</u>
Water and Sewer Fund:	
Demand deposits	0
Total Water and Sewer Fund	<u>0</u>
Natural Gas Fund:	
Demand deposits	1,418,778
Total Natural Gas Fund	<u>1,418,778</u>
Solid Waste Fund	<u>6,105</u>
 Total Cash and Cash Equivalents - All Funds	 <u><u>\$1,895,048</u></u>

**CITY OF HOHENWALD, TENNESSEE**

**Schedule of Changes in Property Taxes Receivable**

**For the Year Ended June 30, 2015**

<u>Tax Year</u>	<u>Balance July 1, 2014</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2015</u>
2015	\$ -	747,739	0	747,739
2014	736,929	0	672,255	64,674
2013	45,287	0	29,192	16,095
2012	13,382	0	13,136	246
2011	0	0	53	53
	<u>\$795,598</u>	<u>747,739</u>	<u>714,636</u>	<u>828,807</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustment and Collections</u>	<u>Outstanding Taxes</u>
2015	\$ 1.50	\$ 747,739	\$ 0	\$ 747,739
2014	1.50	736,929	672,255	64,674
2013	1.50	735,112	719,017	16,095
2012	1.50	745,467	745,221	246
2011	1.07	505,665	505,612	53
2010	1.07	508,238	508,238	0
2009	1.07	538,801	538,801	0
2008	1.07	489,882	489,882	0
2007	1.07	483,106	483,106	0
2006	1.07	451,786	451,786	0

All delinquent taxes have been turned over to the County.



CITY OF HOHENWALD, TENNESSEE

Schedule of Debt Service Requirements-  
General Obligation Debt

June 30, 2015

Year	Refunding Capital Outlay Notes Series 2007		Capital Outlay Notes Energy Loan- Golf Course		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	195,000	14,813	7,333	-	202,333	14,813
2017	200,000	7,500	1,334		201,334	7,500
	<u>395,000</u>	<u>22,313</u>	<u>8,667</u>	<u>0</u>	<u>403,667</u>	<u>22,313</u>

**CITY OF HOHENWALD, TENNESSEE**

**Schedule of Debt Service Requirements  
Water and Sewer Fund**

**June 30, 2015**

Year	Water and Sewer Revenue and Tax Refunding Bond Series 2008		State of Tennessee Sewer Rehabilitation 1997 Loan		State of Tennessee Municipal Bond Fund		Water and Sewer Revenue Series 2009		Water and Sewer Revenue Series 2011		State Revolving Loan CGA-2008-219		TOTAL	TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	65,000	77,420	12,828	348	60,000	23,774	65,000	46,813	55,000	46,950	230,359	59,825	488,187	255,130
2017	70,000	74,852	13,027	120	62,000	22,860	70,000	45,038	55,000	45,300	233,699	56,485	503,726	244,655
2018	70,000	72,088	-	-	65,000	18,289	70,000	43,026	55,000	43,650	237,086	53,098	497,086	230,151
2019	75,000	69,322	-	-	68,000	13,717	75,000	40,757	55,000	42,000	240,523	49,661	513,523	215,457
2020	80,000	66,360	-	-	70,000	9,053	75,000	38,225	60,000	40,200	244,010	46,174	529,010	200,012
2021	80,000	63,200	-	-	72,000	4,503	80,000	35,512	60,000	38,400	247,546	42,638	539,546	184,253
2022	165,000	60,040	-	-	-	-	80,000	32,712	60,000	36,600	251,135	39,049	556,135	168,401
2023	170,000	53,522	-	-	-	-	85,000	29,825	60,000	34,800	254,776	35,408	569,776	153,555
2024	180,000	46,808	-	-	-	-	90,000	26,650	65,000	32,850	258,467	31,717	593,467	138,025
2025	185,000	39,698	-	-	-	-	95,000	23,181	65,000	30,900	262,215	27,969	607,215	121,748
2026	195,000	32,390	-	-	-	-	100,000	19,400	65,000	28,950	266,016	24,168	626,016	104,908
2027	200,000	24,688	-	-	-	-	100,000	15,400	70,000	26,850	269,871	20,313	639,871	87,251
2028	210,000	16,788	-	-	-	-	105,000	11,300	70,000	24,750	273,784	16,400	658,784	69,238
2029	215,000	8,492	-	-	-	-	110,000	7,000	75,000	22,500	277,752	12,432	677,752	50,424
2030	-	-	-	-	-	-	120,000	2,400	75,000	20,250	281,778	8,406	476,778	31,056
2031									80,000	17,850	285,863	4,321	365,863	22,171
2032									80,000	15,450	136,626	1,112	216,626	16,562
2033									85,000	12,900			85,000	12,900
2034									90,000	10,200			90,000	10,200
2035									95,000	7,350			95,000	7,350
2036									95,000	4,500			95,000	4,500
2037									100,000	1,500			100,000	1,500
<hr/>														
	<u>1,960,000</u>	<u>705,668</u>	<u>25,855</u>	<u>468</u>	<u>397,000</u>	<u>92,196</u>	<u>1,320,000</u>	<u>417,239</u>	<u>1,570,000</u>	<u>584,700</u>	<u>4,251,506</u>	<u>529,176</u>	<u>9,524,361</u>	<u>2,329,447</u>

# CITY OF HOHENWALD, TENNESSEE

## Schedule of Insurance in Force

As of June 30, 2015

<u>Name of Company</u>	<u>Policy No.</u>	<u>Limits</u>	<u>Coverage</u>
T.M.L. Risk Management Pool	TML-0567-16	1,000M 300/700/85M 300/700/85M 1,000M 300/700/100/1,000M 855,000 190,000 440,500 300 250/1,000M	General Liability Personal Injury Liability Law Enforcement Liability Errors or Omissions Auto Liability Auto Physical Damage Auto Physical Damage Auto Physical Damage Weekly Indemnity Data/NetworkSecurity
T.M.L. Risk Management Pool	TMP-5390-16	24,149,482 75,000 372,200 150,000 250,000	Fire and Extended Fire and Extended Fire and Extended Employee Dishonesty Computer Fraud
T.M.L. Risk Management Pool	TWC 0562-16	Statutory 1,000M	Workmen's Compensation Employer's Liability
T.M.L. Risk Management Pool	TML 0616-14	100,000 2,000,000	General Liability Errors & Omissions

CITY OF HOHENWALD, TENNESSEE

Schedule of Bonds - Principal Officials

June 30, 2015

<u>Official</u>	<u>Title</u>	<u>Bond</u>
Elected Officials:		
Danny McKight	Mayor and City Manager	100,000
Don Barber	Vice Mayor	-
Rusty Isbell	Council Member	-
T.J. Hinson	Council Member	-
Janet Turner	Council Member	-
Management:		
Kyle Hamm	City Recorder	40,000

CITY OF HOHENWALD, TENNESSEE

Schedule of Utility Rates in Force

June 30, 2015

<u>Sewer Rates- Residential</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 2,000 gallons	\$20.51 Minimum charge	\$32.76 Minimum charge
Over 2,000 gallons	\$4.00 per 1,000 gallons	\$6.00 per 1,000 gallons

<u>Water Rates- Residential</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 2,000 gallons	\$13.67 Minimum charge	\$30.02 Minimum charge
Over 2,000 gallons	\$2.67 per 1,000 gallons	\$4.00 per 1,000 gallons

Natural Gas Rates - Residential

Per 1,000 MCF's - varies each month based on natural gas costs.

There were approximately 3,925 water customers, approximately 1,920 sewer customers and approximately 2,775 natural gas customers at yearend.

CITY OF HOHENWALD, TENNESSEE  
Schedule of Federal and State Financial Assistance  
For the Year Ended June 30, 2015

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2014</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2015</u>
<b>State Program:</b>								
N/A	Z-14GHS163	Governor's Highway Safety Network Coordinator Grant	Tennessee Department of Transportation	<u>0</u>	<u>8,330</u>	<u>0</u>	<u>8,330</u>	<u>0</u>
N/A	Z-15GHS162	High Visability Law Enforcement Camp	Tennessee Department of Transportation	<u>0</u>	<u>1,917</u>	<u>0</u>	<u>1,917</u>	<u>0</u>
			Total State	<u>0</u>	<u>10,247</u>	<u>0</u>	<u>10,247</u>	<u>0</u>
<b>Federal Program:</b>								
14.228	GG-10-33648-00	Diaster Grant	Tennessee Department of Economic and Community Development from the US Department of HUD	<u>65,862</u>	<u>472,581</u>	<u>0</u>	<u>406,719</u>	<u>0</u>
14.228	GG-12-26270-00	CDBG Sewer System	Tennessee Department of Economic and Community Development from the US Department of HUD	<u>0</u>	<u>31,500</u>	<u>0</u>	<u>41,500</u>	<u>10,000</u>
			Total Federal 14.228	<u>65,862</u>	<u>504,081</u>	<u>0</u>	<u>448,219</u>	<u>10,000</u>
This schedule prepared on the accrual basis of accounting.								
			Total Federal and State	<u>65,862</u>	<u>514,328</u>	<u>0</u>	<u>458,466</u>	<u>10,000</u>



# AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0  
American Water Works Association  
Copyright © 2014. All Rights Reserved

Click to access definition  
 Click to add a comment

Water Audit Report for: **City of Hohenwald, Tennessee**  
Reporting Year: **2015** **7/2014 - 6/2015**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

## WATER SUPPLIED

Volume from own sources: 9 413.750 MG/Yr  
Water imported: n/a 0.000 MG/Yr  
Water exported: n/a 0.000 MG/Yr

## Master Meter and Supply Error Adjustments

Pcnt: 1.25% Value: 0.00% MG/Yr  
 0.00% MG/Yr  
 0.00% MG/Yr

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

WATER SUPPLIED: **413.750** MG/Yr

## AUTHORIZED CONSUMPTION

Billed metered: 9 269.800 MG/Yr  
Billed unmetered: n/a 0.000 MG/Yr  
Unbilled metered: n/a 0.000 MG/Yr  
Unbilled unmetered: 5 5.172 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: **274.972** MG/Yr

Click here: for help using option buttons below  
Pcnt: 1.25% Value: 0.00% MG/Yr

Use buttons to select percentage of water supplied OR value

## WATER LOSSES (Water Supplied - Authorized Consumption)

**138.778** MG/Yr

## Apparent Losses

Unauthorized consumption: 5 1.034 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 7 2.725 MG/Yr  
Systematic data handling errors: 5 0.675 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: **4.434** MG/Yr

Pcnt: 0.25% Value: 0.00% MG/Yr  
 1.00% MG/Yr  
 0.25% MG/Yr

## Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 2 **134.344** MG/Yr

WATER LOSSES: **138.778** MG/Yr

## NON-REVENUE WATER

NON-REVENUE WATER: 5 **143.950** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

## SYSTEM DATA

Length of mains: 5 650.0 miles  
Number of active AND inactive service connections: 8 5,000  
Service connection density: 8 8 conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line: 5 (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 5 55.0 psi

## COST DATA

Total annual cost of operating water system: 9 \$1,203,120 \$/Year  
Customer retail unit cost (applied to Apparent Losses): 10 \$6.28 \$/1000 gallons (US)  
Variable production cost (applied to Real Losses): 9 \$1,986.00 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

## WATER AUDIT DATA VALIDITY SCORE:

\*\*\* YOUR SCORE IS: 83 out of 100 \*\*\*

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

## PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors



## AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association  
Copyright © 2014. All Rights ReservedWater Audit Report for: **City of Hohenwald, Tennessee**Reporting Year: **2015** **7/2014 - 6/2015**

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 out of 100 \*\*\*

### System Attributes:

Apparent Losses:	4.434	MG/Yr
+ Real Losses:	134.344	MG/Yr
= Water Losses:	138.778	MG/Yr

Unavoidable Annual Real Losses (UARL): 85.65 MG/Yr

Annual cost of Apparent Losses: \$27,846

Annual cost of Real Losses: \$266,807

Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

### Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: 34.8%

Non-revenue water as percent by cost of operating system: 25.3%

Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: 2.43 gallons/connection/day

Real Losses per service connection per day: N/A gallons/connection/day

Real Losses per length of main per day\*: 566.25 gallons/mile/day

Real Losses per service connection per day per psi pressure: N/A gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 134.34 million gallons/year

Infrastructure Leakage Index (ILI) [CARL/UARL]: 1.57

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline



# COMPLIANCE AND INTERNAL CONTROL

---

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE

(615) 822-4177

HENDERSONVILLE, TN 37057

**INDEPENDENT AUDITOR'S REPORT ON**  
**INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE**  
**AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**  
**PERFORMED**  
**IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mayor and Members of the City Council  
City of Hohenwald, Tennessee  
Hohenwald, Tennessee

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Hohenwald's basic financial statements, and have issued a report thereon dated October 31, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the City of Hohenwald's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hohenwald's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Hohenwald's internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2015-001 Cash Reconciliations).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below (2015-001) to be a material weakness.

The material weakness is as follows:

2015-001 Cash Reconciliations

During the year the City made a conversion of its accounting system. In the conversion process the City had difficulties in converting the pooled cash accounts. As a result of these difficulties, the City did not reconcile the pooled cash account on a timely manner during the year. Due to the delay in reconciling the pooled cash account several adjustments had to be made at yearend. It should be noted after the City made these adjustments at yearend, the City was able to reconcile the pooled account in the month following after yearend.

Recommendation: The City should continue to emphasize reconciling the pooled cash account in a timely manner.

Management Response: We are reconciling the account on a monthly basis.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Hohenwald's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Response to Findings**

The City of Hohenwald's response to the finding identified in the audit is described above. The City of Hohenwald's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

I noted certain matters that I reported to management of the City of Hohenwald in a separate letter dated October 31, 2015.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*John R Poole, CPA*

October 31, 2015

**CITY OF HOHENWALD, TENNESSEE**

Schedule of Disposition of Prior Year Comments

June 30, 2015

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
-----------------------	----------------------	---------------

There were no prior year comments.